

**18 AM Canadian Equity Highlights**

The 18 AM Canadian Equity portfolio is uniquely positioned, with exposure to two focused style portfolios, Offence (growth and momentum) and Defence (income, quality and low risk). We manage the Offence and Defence styles independently, using 15-stock portfolio of companies that exhibit attractive balance sheet and income statement fundamentals (factors) of the respective style. By combining style allocations, the portfolio benefits from broader sector and market cap exposure, broad factor exposure and lower portfolio volatility relative to a single style portfolio.

The 18 AM Canadian Equity portfolio gained 6.8% in the second quarter, matching the index return for the period. Since inception, the portfolio has outperformed the S&P/TSX Composite Index and has done so with a lower volatility relative to its benchmark.

| Performance |         |       |        |                 |            |
|-------------|---------|-------|--------|-----------------|------------|
|             | Q2 2018 | YTD   | 1 Year | Since Inception |            |
|             |         |       |        | Return          | Volatility |
| Offence*    | 9.5%    | 12.3% | 21.2%  | 6.5%            | 9.8%       |
| Defence*    | 4.1%    | -1.6% | 6.5%   | 9.3%            | 6.9%       |
| Portfolio** | 6.8%    | 5.2%  | 13.8%  | 8.0%            | 6.9%       |
| Benchmark   | 6.8%    | 1.9%  | 10.4%  | 7.2%            | 7.5%       |

\*The chart depicts performance data for the style model portfolios tracked by 18 AM and is for information purposes only. Inception date December 31, 2013.

Positive contributions to the portfolio's performance for the quarter:

- Top contributors included: The Stars Group (+34.0%), a technology based gaming and gambling company, Energy companies Suncor (+21.1%) and Encana (21.3%) and, within Materials, Nutrien (+18.4%), the fertilizer company combined from the Potash/Agrium merger, and Methanex (+19.7%), a methanol producer.
- The Offence style contributed significantly to the portfolio return, doubling the Defence counterpart in Q2.

Detracting from the portfolio's relative return:

- Within Industrials, holding Air Canada (-17.6%) was a large detractor, as well as having no exposure to railroads which as a group performed well (+12.0%) and represent a material weight in the TSX.
- Year-to-date the portfolio has been underweight Energy, a sector that started the year on a weak note but has since rebounded significantly. The portfolio's underexposure has detracted from relative return, however the Energy securities held in the portfolio have outperformed, mitigating the impact.
- The Defence style lagged the Offence style as well as the overall market for the second consecutive quarter as investors rewarded riskier assets and interest sensitive securities fell behind.

Our focus on systematic security selection, income statement and balance sheet fundamentals, style diversification and portfolio risk management, will aid us in navigating the portfolio through varying market conditions for long-term success. The 18 AM team has been managing Canadian equities for more than 25 years. We have time-tested our disciplined, systematic process through interest rate cycles, growth and retraction phases, and through our share of stock market shocks. We believe a focus on company fundamentals, rather than speculating on macroeconomic and political events, provides investors the best opportunity for long-term success.

\*\* Performance is shown gross of all fees. Performance data is historical and not indicative of future performance. Returns annualized for periods greater than 1 year. The benchmark is the TSX Composite Total Return Index. This document is for information purposes only.

## Market Overview

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After declining 4.5% in the first quarter of 2018, the S&P/TSX Composite index rebounded with a 6.8% gain in the second quarter, to reach the mid-point of the year in positive territory. The Q2 rally in Canada outperformed both US and International equity markets for the same period. Despite ongoing tensions surrounding global trade, market volatility moderated slightly in Q2 from Q1 and remains in line with long-term historical levels.

Familiar themes continue to dominate headlines for Canadian market watchers, including the NAFTA negotiations, the potential for a housing correction and the over-extended position of Canadian consumer balance sheets. Notwithstanding the cautionary headlines, the fundamental profile of the Canadian market has continued to improve since the beginning of the year. A variety of metrics provide evidence of the continuing strength of TSX earnings, including positive momentum of quarterly reported earnings, positive earnings surprise in the most recent quarter and continued upward revision of earnings estimates for 2018 by Bay street analysts. As of the mid-point of the year, analysts estimate year over year earnings growth to reach almost 20%, as compared to an expectation of only 4% at the outset of 2018. With the strong growth and moderate price performance, the market's valuation has also improved. Currently, the current Price/Earnings ratio of the TSX is 14.4 times, versus 15.3 times at the start of the year.

Dividend yields, currently sitting at 2.5%, have moderated relative to bond yields making dividend paying stocks less attractive to income seeking investors. As a result, equity investment style returns have experienced a rotation away from income and rewarded growth instead.

Highlights of the TSX return for the fourth quarter include:

Stocks – Market breadth reversed its pace from the prior quarter as the number of companies with gains outnumbered those with losses by a 2 to 1 margin. Approximately 30% of companies posted a gain of more than 10%. Energy companies featured heavily among the index Q2 gainers, with 4 of the top 5 contributors to the index return coming from this sector. Large caps Suncor (+21.1%) and Enbridge (+17.8%) topped the contribution list while smaller cap MEG Energy (+140.9%) had the best performance in the period. Canada Goose Holdings (+79.3%), a designer and retailer of premium outerwear, and Valeant Pharmaceuticals (+49.2%), a pharmaceutical company, also delivered outsized returns.

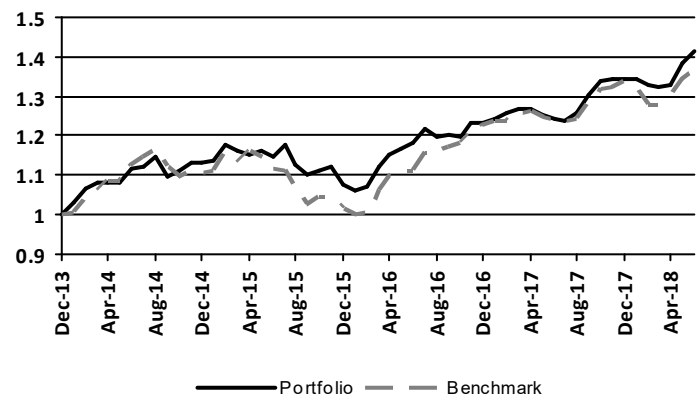
Sectors – Leading the way for the TSX was the Energy sector, gaining 17.6% and contributing almost half of the index return in Q2. Information Technology followed a strong first quarter with an even stronger second quarter, gaining a further 17.8% in Q2. Interest sensitive sectors - Financials, Telecommunications and Utilities – responding to heightened interest rate risk, were the worst performing sectors.

Styles – During Q2, the Offence style, with emphasis on growth and momentum, was the better performer, extending its outperformance to the 1-year time frame. Defence, which focuses on income and low risk, lagged. Since inception of the strategy, Defence remains the leader, however the shift in style dominance in 2018 and over the past year has been stark, emphasizing the diversification benefit of utilizing the combined style approach as an important risk management tool.

**Portfolio Description**

The 18 Asset Management Canadian Equity Fund invests solely in Canadian equities, selected from large/mid cap companies in Canada. A portfolio of 30 stocks, it combines two independent 15 stock style allocations, one Offence-oriented and one Defence-oriented. Risk management is an integral part of the portfolio management process and includes style diversification, broad sector exposure and sell disciplines.

The portfolio's investment objective is to outperform its benchmark, the TSX Total Return Index (TSX TRI), by 2% per year. The portfolio is suitable for clients seeking enhanced return opportunity from their Canadian Equity allocation through focused portfolios with high active share.

**Growth in Value of \$1 Since Inception**

**Performance History**
*Inception date 12/31/2013*

| <i>For the period ended</i> | 2018-06-30 | Since Inception | 3 Month     | YTD         | 1 Year      | 2 Year | 3 Year | 4 Year |
|-----------------------------|------------|-----------------|-------------|-------------|-------------|--------|--------|--------|
| Portfolio Return            |            | 8.03%           | 6.84%       | 5.22%       | 13.79%      | 9.38%  | 7.25%  | 6.15%  |
| Benchmark Return            |            | 7.16%           | 6.77%       | 1.95%       | 10.41%      | 10.73% | 6.95%  | 4.86%  |
| Out/Under Performance       |            | 0.87%           | 0.07%       | 3.28%       | 3.38%       | -1.35% | 0.30%  | 1.28%  |
| <i>Calendar Returns</i>     |            | <b>2017</b>     | <b>2016</b> | <b>2015</b> | <b>2014</b> |        |        |        |
| Portfolio Return            |            | 9.22%           | 14.41%      | -4.71%      | 12.97%      |        |        |        |
| Benchmark Return            |            | 9.10%           | 21.08%      | -8.32%      | 10.55%      |        |        |        |
| Out/Under Performance       |            | 0.13%           | -6.67%      | 3.61%       | 2.42%       |        |        |        |

**Return and Risk Statistics**
*Based on monthly returns*

|                               | Monthly | 12 Month Rolling |                              | Since Inception |
|-------------------------------|---------|------------------|------------------------------|-----------------|
| # of Periods                  | 54      | 43               | Portfolio Standard Deviation | 6.90%           |
| Frequency of Outperformance   | 51.9%   | 60.5%            | Benchmark Standard Deviation | 7.47%           |
| Average Outperformance        | 0.93%   | 3.24%            | Tracking Error               | 4.20%           |
| Frequency of Underperformance | 48.1%   | 39.5%            | Correlation with Benchmark   | 0.83            |
| Average Underperformance      | -0.87%  | -3.96%           | Information Ratio            | 0.21            |
| Best Absolute Return          | 4.46%   | 17.26%           | Bull Capture                 | 79.6%           |
| Worst Absolute Return         | -4.35%  | -9.05%           | Bear Capture                 | 61.3%           |
| Best Relative Performance     | 3.18%   | 8.69%            | Largest Relative Drawdown    | -8.20%          |
| Worst Relative Performance    | -3.07%  | -6.67%           | Trough Date                  | 2017-12-31      |

**Portfolio Characteristics**
*Refer to Glossary for more information on Portfolio Characteristics*

|                                | Portfolio | Benchmark |                                     | Portfolio | Benchmark |
|--------------------------------|-----------|-----------|-------------------------------------|-----------|-----------|
| Number of Stocks               | 31        | 246       | Reinvestment Rate                   | 9.39%     | 6.43%     |
| Price/Earnings on Current EPS  | 14.4x     | 15.56x    | Quarterly Earnings Growth           | 4.54%     | 5.42%     |
| Price/Earnings on Trailing EPS | 16.33x    | 17.08x    | Quarterly Earnings Surprise         | 1.07%     | 0.82%     |
| Price/Book                     | 2.1x      | 1.85x     | Estimate Revision from 3 Months Ago | 4.21%     | 2.27%     |
| Price/Cash Flow                | 8.98x     | 8.46x     | Price Change from 3 Months Ago      | 7.47%     | 5.92%     |
| Expected Yield                 | 2.47%     | 2.94%     | Price Change from 6 Months Ago      | 6.65%     | 0.44%     |

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**Portfolio Strategy**

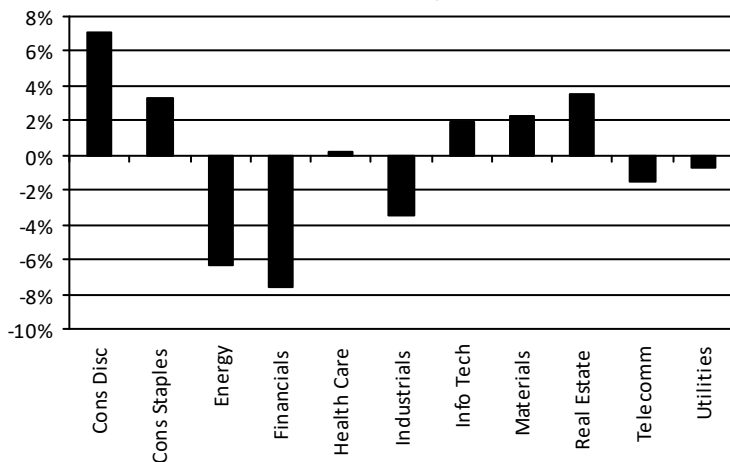
The portfolio is designed to capture the benefits from two central portfolio management principles; i) focused portfolios and ii) high conviction style betas. By combining two 15 stock focused portfolios - a low volatility, high income portfolio (Defence) with a high growth and momentum portfolio (Offence) - it takes advantage of changing markets and provides clients with exposure to beta complements.

Using our systematic stock selection process we select companies that exhibit the most attractive fundamental factors representing the two style betas. Companies within each focused style portfolio are equally weighted with periodic rebalancing across holdings and styles.

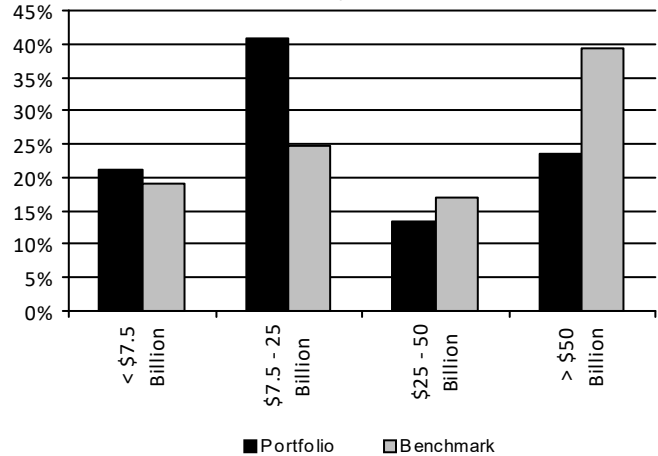
**Style Allocation**



**Sector Active Weights**



**Market Cap Breakdown**



**Top 10 Holdings**

| Company                 | % Portfolio  |
|-------------------------|--------------|
| Methanex Corp.          | 3.87         |
| Suncor Energy Inc.      | 3.79         |
| Nutrien Ltd.            | 3.65         |
| Constellation Software  | 3.61         |
| EnCana Corp.            | 3.58         |
| Waste Connections Inc.  | 3.55         |
| Sun Life Financial Inc. | 3.47         |
| Cdn Apartment Prop REIT | 3.46         |
| Cdn. Imperial Bank      | 3.46         |
| Parex Resources Inc.    | 3.41         |
| <b>Total:</b>           | <b>35.85</b> |

**Top 10 Overweights**

| Company                 | % Active Wgt |
|-------------------------|--------------|
| Methanex Corporation    | 3.53         |
| Parex Resources Inc.    | 3.24         |
| Empire Company Ltd., A  | 3.22         |
| Cdn Apartment Prop REIT | 3.19         |
| West Fraser Timber Co.  | 3.06         |
| The Stars Group Inc.    | 3.06         |
| Quebecor Inc., B        | 2.95         |
| Metro Inc.              | 2.87         |
| EnCana Corporation      | 2.84         |
| Toromont Industries Ltd | 2.76         |
| <b>Total:</b>           | <b>30.74</b> |

**Top 10 Underweights**

| Company                 | % Active Wgt  |
|-------------------------|---------------|
| Enbridge Inc.           | -3.56         |
| Cdn National Railway    | -3.52         |
| Toronto-Dominion Bank   | -3.07         |
| Royal Bank of Canada    | -2.98         |
| Cdn Natural Resources   | -2.31         |
| Manulife Financial Corp | -2.08         |
| Brookfield Asset Mgmt   | -2.07         |
| Cdn Pacific Railway Ltd | -1.53         |
| TELUS Corporation       | -1.24         |
| Magna Intl. Inc.        | -1.13         |
| <b>Total:</b>           | <b>-23.47</b> |